



Judd Gregg, Chairman
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**SENATE BUDGET CHAIRMAN JUDD GREGG
FLOOR STATEMENT REGARDING MEDICAID
March 17, 2005 9:40 A.M.**

MR. PRESIDENT, I HAD THE GREAT GOOD FORTUNE WHEN I WENT TO COLLEGE TO BE TAUGHT BY ONE OF THE REALLY HISTORICALLY STRONG -- ONE OF THE STRONGEST HISTORY PROFESSORS IN OUR NATION. A MAN NAMED DAVID TRUMAN. HE WENT ON TO BE PRESIDENT OF MOUNT HOLYOKE. HE WROTE PROBABLY THE DEFINITIVE TREATIES ON AMERICAN GOVERNMENT.

ONE CHAPTER HE WROTE WAS ON COMMITTEES AND TO COMMISSIONS. AND HE SAID THAT THE COMMISSION IS SORT OF THE PLACE WHERE YOU SEND ISSUES WHEN YOU DON'T WANT TO HAVE TO DEAL WITH THEM, WHEN YOU WANT TO IGNORE THEM, WHEN YOU WANT TO OBFUSCATE THE ISSUE AND WHEN YOU WANT TO BASICALLY KICK THE CAN DOWN THE ROAD.

HE WAS A BRILLIANT PROFESSOR AND USUALLY RIGHT, AND IN THIS CASE OBVIOUSLY TOTALLY CORRECT.

THIS AMENDMENT, IF IT IS PASSED, WILL GUARANTEE THAT THE ISSUE OF MEDICAID IS NOT ADDRESSED. THAT IS A GUARANTEE. IT KICKS THE CAN DOWN THE ROAD A DECADE BECAUSE WE WILL NOT DO RECONCILIATION AGAIN FOR A LONG TIME, I SUSPECT.

NEXT YEAR'S AN ELECTION YEAR AND CONGRESSES AREN'T INCLINED TO MAKE TOUGH CHOICES IN ELECTION YEARS. IT'S BEEN YEARS SINCE WE DID THE LAST RECONCILIATION BILL, SO IT'S UNLIKELY THAT RECONCILIATION WILL OCCUR AGAIN. AND ***YOU ARE NOT GOING TO PASS IN THIS CONGRESS A BILL WHICH REFORMS A SIGNIFICANT PROGRAM ON THE ENTITLEMENT SIDE WITHOUT USING RECONCILIATION, BECAUSE THE COURAGE SIMPLY ISN'T HERE.***

SO LET'S TALK ABOUT WHY IT IS ABSOLUTELY CRITICAL THAT THIS YEAR WE ADDRESS THE MEDICAID ISSUE. AND WHY IT ISN'T GOING TO IMPACT ANY CHILDREN AND WHY ALL THIS WEARING YOUR HEART ON THE SLEEVE LANGUAGE THAT WE HEARD AROUND HERE IS A LARGE AMOUNT OF PUFFERY.

WE HAD SOME VERY DISTURBING TESTIMONY WHEN -- THAT'S THE TERM THAT WAS USED, I BELIEVE, BY THE SENATOR FROM NORTH DAKOTA AND WAS ACCURATE -- FROM THE COMPTROLLER GENERAL OF GAO AND HE TALKED ABOUT THE LIABILITY ON THE BOOKS THAT OUR CHILDREN ARE GOING TO HAVE TO PAY. THEY ADD UP NOW TO \$44 TRILLION -- THAT'S TRILLION DOLLARS - \$44 TRILLION OF LIABILITIES ARE ALREADY ON THE BOOKS.

THIS CHART SHOWS THAT \$44 TRILLION OVER HERE. TRY TO PUT THAT IN PERSPECTIVE. IF YOU TAKE ALL THE TAXES PAID IN AMERICA SINCE THE REVOLUTION, IT ADDS UP TO \$38 TRILLION. SO WE HAVE ON THE BOOKS MORE LIABILITIES TODAY THAN TAXES PAID IN THIS COUNTRY IN THE HISTORY OF THIS COUNTRY.

IN FACT, IF YOU TAKE THE ENTIRE NET WORTH OF THE UNITED STATES TODAY, EVERY AMERICAN, ADD UP ALL THEIR NET WORTH, ALL THEIR HOUSES, ALL THEIR CARS, ALL THEIR JEWELRY, WHATEVER THEY HAVE, STOCKS, BONDS, ASSETS, REAL ESTATE, IT COMES TO \$47 TRILLION.

WE HAVE ON THE BOOKS TODAY MORE -- ALMOST AS MUCH OBLIGATION AS WE HAVE NET WORTH. AND THE PRACTICAL EFFECT OF THAT IS THAT WE ARE OVERWHELMING THE NEXT GENERATION WITH OBLIGATIONS, WHICH THEY WILL HAVE TO PAY. OUR CHILDREN AND OUR GRANDCHILDREN ARE GOING TO HAVE TO PAY THE TAXES TO SUPPORT THAT \$44 TRILLION WORTH OF OBLIGATIONS WE PUT ON THE BOOKS. SO IT'S IMPORTANT THAT WE LOOK AT WHERE THOSE OBLIGATIONS COME FROM.

WELL, THEY COME PRIMARILY FROM WHAT'S KNOWN AS ENTITLEMENT ACCOUNTS. SPECIFICALLY, THREE MAJOR ACCOUNTS: SOCIAL SECURITY, MEDICARE, AND MEDICAID. IN FACT, THE VAST MAJORITY OF THEM DON'T COME FROM SOCIAL SECURITY. THEY COME FROM MEDICARE AND MEDICAID. HEALTH CARE REPRESENTS \$27 TRILLION OF THAT \$44 TRILLION OF COSTS THAT ARE ON THE BOOKS THAT OUR CHILDREN ARE GOING TO HAVE TO PAY BECAUSE WE'VE ALREADY COMMITTED THEM TO DO THAT TO SUPPORT THE BABY-BOOM GENERATION WHEN IT RETIRES.

SO IT IS ENTITLEMENTS THAT ARE THE ISSUE. AND SO, MY COLLEAGUES HAVE COME FORWARD AND SAID, BUT WE DON'T HAVE TO DEAL WITH SOCIAL SECURITY, EVEN THOUGH THE PRESIDENT'S BEEN WILLING TO DISCUSS IT. WE DON'T HAVE TO DEAL WITH THAT. NO, STIFF-ARM SOCIAL SECURITY. OKAY, THAT'S OFF THE TABLE. THE PRESIDENT SAYS HE JUST AMENDED THIS MEDICARE LAW, SO HE DOESN'T WANT TO MOVE ON MEDICARE THIS YEAR. OKAY, THAT'S OFF THE TABLE. THAT LEAVES ONE ISSUE, ONE MAJOR PROGRAM THAT SHOULD BE LOOKED AT THIS YEAR AT LEAST, AND THAT OF COURSE IS MEDICAID.

NOW THE OTHER SIDE OF THE AISLE -- AND THREE SPEAKERS THIS MORNING HAVE ALREADY SAID THIS -- SAID YOU CAN JUST ADDRESS THIS PROBLEM BY RAISING TAXES. I WOULD NOTE IT DOESN'T APPEAR TO BE THAT ANYBODY HAS FOCUSED ON THIS AT ALL. BUT THE AMENDMENT BEFORE US DOESN'T RAISE TAXES. IT RAISES THE DEFICIT. AND WE HEARD ALL OF YESTERDAY, THE DAY BEFORE AND THE DAY BEFORE THAT HOW THE OTHER SIDE OF THE AISLE DIDN'T WANT TO THEY WANTED TO BE THE PARTY THAT WAS OPPOSED TO DEFICIT SPENDING. WELL, TODAY THEY COME FORWARD BUT THE VAST MAJORITY OF PEOPLE SPONSORING AND SUPPORTING THE PROGRAM ON THE BILL BEFORE US WHICH DRAMATICALLY RAISES THE DEFICIT, \$15 BILLION IN A FIVE YEAR PERIOD.

BUT EVEN IF YOU SCPE THAT THE FACT THAT THEY WANTED TO RAISE TAXES TO PAY FOR THIS, THE ISSUE IS COULD YOU SOLVE THIS PROBLEM? THIS OUTYEAR LIABILITY THAT CAUSED BY ALL THESE ENTITLEMENT ACCOUNTS, MEDICARE, MEDICAID AND SOCIAL SECURITY BY RAISING TAXES. YOU CAN'T DO IT. THIS CHART SHOWS IT SO CLEARLY.

THE COST OF MEDICARE, MEDICAID AND TAX -- AND SOCIAL SECURITY IS THE RED LINE HERE. THE BLUE LINE IS THE HISTORICAL AMOUNT THAT THE FEDERAL GOVERNMENT SPENDS, 20% OF G.D.P. THAT'S WHAT WE'VE HISTORICALLY SPENT SINCE WORLD WAR II ESSENTIALLY. YOU CAN SEE THAT THE RED LINE CROSSES THE BLUE LINE IN THE YEAR 2029, 2028, IN THAT PERIOD. THESE THREE PROGRAMS, SOCIAL SECURITY, MEDICARE AND MEDICAID WILL ACTUALLY COST THE FEDERAL GOVERNMENT MORE THAN 20% OF THE GROSS NATIONAL PRODUCT.

WHAT DOES THAT MEAN IN PRACTICAL TERMS? IT MEANS THAT YOU WOULDN'T BE ABLE TO SPEND ANY MONEY ON EDUCATION, ANY MONEY ON ROADS, ANY MONEY ON NATIONAL DEFENSE BECAUSE THE ENTIRE FEDERAL BUDGET WOULD BE ABSORBED BY PAYING FOR THREE PROGRAMS. OR YOU COULD TAKE THE SIDE OF THE OTHER SIDE AND RAISE TAXES. IF YOU DID THAT WOULD YOU HAVE TO DOUBLE THE TAX RATE ON AMERICANS IN ORDER TO PAY FOR THESE PROGRAMS. WORKING AMERICANS, YOUNG AMERICANS, THESE PAGES WHO ARE HERE TODAY AND WHO ARE GOING TO GET A JOB WOULD FIND THEIR ABILITY TO HAVE A DECENT LIFESTYLE WOULD BE DRAMATICALLY REDUCED BECAUSE THEY WERE GOING TO HAVE TO PAY TWICE AS MUCH IN TAX AS OUR GENERATION PAID IN ORDER TO SUPPORT THESE FEDERAL PROGRAMS THAT ARE ALREADY ON THE BOOKS.

YOU CAN'T TAX YOUR WAY OUT OF THIS, FOLKS. I DON'T CARE IF YOU CONFISCATE ALL THE INCOME OF THE TWO TOP BRACKETS, YOU CANNOT GET THIS SYSTEM UNDER CONTROL THROUGH TAXES.

YOU'VE GOT TO ADDRESS THE OTHER SIDE OF LEDGER WHICH IS SPENDING RESPONSIBLY ON THESE PROGRAMS. AND THAT'S WHAT THIS BILL TRIES TO DO. THAT'S WHAT THE BUDGET TRIES TO DO. IN A MOST MINOR WAY, A MINISCULE WAY, ALMOST, WE SUGGEST IN THIS BUDGET, WE WANT TO SAVE \$15 BILLION IN THE RATE OF GROWTH, NOT CUTS, IN THE RATE OF GROWTH OF MEDICAID OVER THE NEXT FIVE YEARS. \$15 BILLION.

WELL, YOU SAY \$15 BILLION SAY LOT OF MONEY. WELL, IT IS A LOT OF MONEY, BUT YOU'VE GOT TO PUT IT IN CONTEXT. OVER THE NEXT FIVE YEARS THE MEDICAID SYSTEM IS GOING TO SPEND \$1.12 TRILLION. THAT'S TRILLION WITH A "T". \$15 BILLION ON THAT AMOUNT IS 1% ESSENTIALLY. 1% -- \$14 BILLION IS WHAT WE'RE TRYING TO SAVE IN THIS BILL. THIS CHART SHOWS IT.

MEDICAID SPEND WILLING GO UP. -- MEDICAID SPENDING WILL GO UP MATICLY. IT WILL GO UP BY 39%. IT WOULD GO UP BY 41% IF THIS BILL DOESN'T GO INTO PLACE. BUT IF THIS BILL GOES INTO PLACE IT GOES UP BY 39%. 39% RATE OF GROWTH IN THIS PROGRAM IS WHAT WE'RE PLANNING FOR. WE'VE HEARD PEOPLE COME DOWN HERE ESPECIALLY THE SENATOR FROM OREGON AND SAY THAT THIS IS GOING TO -- IF THIS LANGUAGE PASSES WE'RE GOING TO -- LIVES WILL BE LOST, I THINK HE SAID. CHILDREN WILL BE LOST.

THAT'S ABSURD, MISLEADING, INACCURATE AND A TOTAL GROSS EXAGGERATION. I WISH THE SENATOR HAD BEEN A GOVERNOR BECAUSE HE WOULD KNOW THAT THE MEDICAID SYSTEM TODAY DOESN'T BENEFIT CHILDREN AS MUCH AS HE THINKS IT DOES. THERE'S A LARGE CHUNK OF THE MEDICAID SYSTEM TODAY WHICH IS BEING GAMED OUT OF SYSTEM BY STATES AND BEING USED BY STATES TO BUILD ROADS, TO PUT POLICE OFFICERS ON THEIR ROADS - A LARGE CHUNK OF IT AND THAT COULD BE SAVED.

THERE'S A LARGE CHUNK OF THE MEDICAID SYSTEM TODAY THAT IS GOING TO PHARMACEUTICALS TO PAY MORE THAN WE PAY IN ANY OTHER PROGRAM FOR PHARMACEUTICAL PRODUCTS. THAT COULD BE SAVED.

THERE'S A LARGE CHUNK OF THE SYSTEM TODAY WHICH IS GOING TO PEOPLE WHO ARE GAMING THE SYSTEM BY WHAT IS KNOWN AS "SPENDING DOWN." THAT'S WHEN YOU IN A RATHER FRAUDULENT WAY, GET RID OF YOUR ASSETS, GIVE THEM TO YOUR KIDS OR SOMEBODY ELSE IN YOUR FAMILY SO THAT YOU CAN THEN COME TO THE GOVERNMENT AND SAY SUPPORT ME IN A NURSING HOME SO THAT ALL THE OTHER AMERICANS IN THIS COUNTRY WHO ARE PLAYING BY THE RULES END UP SUPPORTING PEOPLE WHO ARE BREAKING THE RULES AND GAMING THE SYSTEM BY BREAKING IT DOWN. HUGE AMOUNTS OF DOLLARS ARE COMING OUT OF THE SYSTEM UNDER THOSE ACCOUNTS. A

ND A LOT OF MONEY IS BEING LOST IN THIS SYSTEM SIMPLY BECAUSE IT IS INEFFECTUALLY RUN BECAUSE THE GOVERNORS DON'T HAVE THE FLEXIBILITY THEY NEED IN ORDER TO GET MORE SERVICE BECAUSE THEY KNOW HOW TO DELIVER IT BUT INSTEAD THEY ARE HAMSTRUNG BY ALL SORTS OF RULES AND REGULATIONS WHICH MAKES NO SENSE TO THEM AND UNDERMINES THEIR CAPACITY TO RENDER THE SERVICE EFFICIENTLY.

THE PRESIDENT AND NUMEROUS RESPONSIBLE GOVERNORS IN THIS COUNTRY HAVE COME FORWARD AND SAID, YOU GIVE MORE FLEXIBILITY TO THE GOVERNORS AND THEN THEY CAN TAKE A LITTLE LESS RATE OF INCREASE IN SPENDING AND DELIVER MUCH MORE SERVICE TO MANY MORE KIDS.

SO THIS CONCEPT THAT YOU CAN'T GET TO THIS 1% SAVINGS, THAT YOU CAN'T LIVE ON A 3% RATE OF GROWTH IN MEDICAID WITHOUT HAVING CHILDREN LOSE THEIR LIVES AND BE NOT ABLE TO GO TO THE EMERGENCY ROOM FOR CARE IS JUST SCARE TACTICS. AND NOT ONLY THAT, IT'S NOT RIGHT.

BECAUSE IF YOU CAN'T STEP UP, ESPECIALLY AS A REPUBLICAN WHO SUPPOSEDLY IS COMMITTED TO FISCAL RESPONSIBILITY BECAUSE THAT'S WHAT OUR PARTY IS SUPPOSED TO BE COMMITTED TO AND SAY THAT YOU CAN DELIVER BETTER SERVICE WITH MORE FLEXIBILITY, THAN YOU ARE PROBABLY NOT A VERY GOOD GOVERNOR.

I DOUBT THAT THERE ARE ANY REPUBLICAN GOVERNORS AT LEAST AND A LOT DEMOCRATIC GOVERNORS WHO BELIEVE THAT THEY CAN'T DO MORE WITH A LOT LESS FLEXIBILITY. THE PRESIDENT HAS LISTED FIVE OR SIX, SEVEN OR EIGHT, GOVERNOR LEAVITT HAS, SEVEN OR EIGHT PROPOSALS, NONE OF WHICH AFFECTS SERVICE AT ALL. SOME OF WHICH EXPANDS SERVICE TO CHILDREN WHICH COULD BE ACCOMPLISHED, COULD BE ACCOMPLISHED IF WE REFORM THE PROGRAM AND WOULD SLOW THE RATE OF GROWTH FOR THIS PROGRAM ALONG THE LINES PROJECTED HERE.

SO IT IS UNCONSCIONABLE THAT PEOPLE WOULD CLAIM THAT A \$14 BILLION REDUCTION IN THE RATE OF GROWTH WHEN YOU'RE HAVING A \$1.1 TRILLION EXPENDITURE. A REDUCTION WHICH REPRESENTS 1% OVER FIVE YEARS COULD NOT BE ACCOMPLISHED IN THE CONTEXT OF A PROGRAM WHERE THERE ARE SO OBVIOUSLY SO MANY PROBLEMS WHICH NEED TO BE ADDRESSED AND COULD DELIVER MORE EFFICIENT AND MORE EFFECTIVE SERVICE. IT GETS BACK TO THIS POINT, OF COURSE, THAT **IF WE DON'T DO THIS NOW, WE AREN'T GOING TO DO IT.**

THIS ISN'T AN AMENDMENT TO SET UP A COMMISSION THE PURPOSE OF WHICH IS TO RESOLVE THE PROBLEM. THIS IS AN AMENDMENT TO SET UP A COMMISSION TO MAKE SURE THE PROBLEM IS NEVER RESOLVED. AND IT'S IRRESPONSIBLE BECAUSE OF THAT. I DO THINK IT'S IMPORTANT TO NOTE HOW THIS BUDGET HAS BEEN STRUCTURED. YOU KNOW, A LOT OF PEOPLE SAY THIS FEDERAL BUDGET ISN'T -- IS PRETTY MEANINGLESS AND IT'S JUST SORT OF A PROCESS WE GO THROUGH HERE AND, OF COURSE, TWO OUT OF THE LAST FOUR YEARS WE DIDN'T HAVE ONE. TO SOME DEGREE THEY ARE CORRECT, I REGRET TO SAY.

WE HAVE IN THIS BUDGET THREE BASIC ELEMENTS ONE IS DISCRETIONARY SPENDING, THE OTHER IS ENTITLEMENT SPENDING, THE OTHER IS TAXES.

ON THE DISCRETIONARY SIDE WE SET A DISCRETIONARY CAP. WE'VE SEEN AMENDMENTS OFFERED ON THE FLOOR THAT WILL AFFECT THAT CAP. IN OTHER WORDS, MEMBERS NOT WILLING TO ACCEPT THE SPENDING LEVELS OF THIS BUDGET. THEY'VE GOT TO PUT MONEY IN THIS PROBLEM. WE'VE GOT ANOTHER 100 OR SO AMENDMENTS PENDING THAT DO THE EXACT SAME THING. **SO THE WILLINGNESS TO DISCIPLINE THE DISCRETIONARY SIDE OF THE LEDGER IS TO SAY THE LEAST TEPID AND ONE WOULD SUSPECT THERE'S GOING TO BE A LOT OF GAMES PLAYED WITH THAT CAP EVEN IF IT GETS IN PLACE BEFORE WE GET TO THE APPROPRIATIONS PROCESS.** IT DOES LIMIT THE RATE OF GROWTH AND HAVE SOME IMPACT BUT REGRETTABLY I HAVE TO ADMIT IT'S ON THE MARGIN.

THEN THERE'S THE TAX SIDE. MOST OF THE TAXES IN THE BUDGET ARE TAXES MOST PEOPLE ARE GOING TO VOTE FOR. THAT WAS THE POINT MADE YESTERDAY WHETHER THERE'S RECONCILIATION INSTRUCTIONS. THEY ARE VERY POPULAR, R&D, TUITION TAX STUFF.

NO, THE ESSENCE OF THIS BUDGET IS WHETHER OR NOT WE ARE GOING TO ADDRESS THE FASTEST GROWING FUNCTION OF THE FEDERAL GOVERNMENT, THE FUNCTION OF THE FEDERAL GOVERNMENT IS WHICH IS GOING TO BANKRUPT OUR CHILDREN AND GIVE THEM A MUCH LESS OF A QUALITY OF LIFE THAN WE HAVE HAD. WHETHER OR NOT OUR GENERATION, THE BABY BOOM GENERATION WHICH IS NOW THE GENERATION THAT GOVERNS IS GOING BE WILLING TO STAND UP AND ADMIT WE PUT TOO MUCH ON THE BOOKS FOR OUR CHILDREN TO BEAR.

THAT'S THE ESSENCE OF THIS BILL - OF THE AMENDMENT. THIS AMENDMENT KNOCKS OUT THE ONLY REAL -- WELL, THERE'S ONE OTHER DEALING WITH THE P.B.G.C., THE ONLY EFFORT TO BRING UNDER CONTROL THE RATE OF GROWTH OF FEDERAL GOVERNMENT IN THE OUT YEARS - THE MAJOR PIECE OF FISCAL DISCIPLINE.

IN THE SHORT TERM, COULD YOU ARGUE DISCRETIONARY CAPS MAY HELP, BUT IN THE LONG TERM WHERE IS WHERE OUR BIG PROBLEM IS AND WHERE WE ALL ACKNOWLEDGE IT TO BE, THE ONLY THING THAT IS GOING TO ADDRESS THAT IS IF WE RECONCILE THE MEDICAID NUMBER. **IF WE DON'T DO IT THIS YEAR, IT ISN'T GOING TO BE DONE.** THAT'S WHY I FIND THIS AMENDMENT TO BE SO PERNICIOUS BECAUSE IT IS PUT FORWARD AS IF THE PEOPLE WHO SUPPORT IT ARE REALLY FOR FISCAL DISCIPLINE WHEN IN FACT **IT'S PRACTICAL IMPLICATION IS TO GUT THE ONLY THING IN THIS BUDGET WHICH ACTUALLY WILL GENERATE FISCAL DISCIPLINE.**

AND IT'S BEING DONE BY REPUBLICANS. YOU KNOW, YOU JUST HAVE TO ASK YOURSELF HOW THEY GET UP IN THE MORNING AND LOOK IN THE MIRROR. IN ANY EVENT, THAT'S WHERE WE STAND.

I'M NOT GOING TO DENY THAT THIS IS A CRUCIAL VOTE. IT IS A CRUCIAL VOTE. IF THE MEDICAID LANGUAGE IS PASSED, IF IT'S KNOCKED OUT THE BILL, I THINK I PUT IN CONTEXT THE EFFECT IT HAS ON THE BUDGET. MORE IMPORTANTLY I HOPE IN PUT IN CONTEXT THE EFFECT IT'S GOING TO HAVE ON OUR KIDS AND GRAND KIDS BECAUSE **WE WILL HAVE SAID IN NONE OF THREE AREAS WHERE THE EXPLOSIVE GROWTH IS OCCURRING -- WHERE IS THAT MAP? IN NONE OF THESE THREE AREAS WHERE WE'RE HEADED TO THIS DISASTER, WHERE OUR CHILDREN ARE NOT GOING TO BE ABLE TO AFFORD THE COSTS THAT WE'VE STUCK THEM WITH, THAT IN NONE OF THOSE THREE AREAS IS THIS CONGRESS WILLING TO ACT. THAT WOULD BE A MORE THAN UNFORTUNATE EVENT.**